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MINOT — OUR MONEY

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# OUR MONEY

BY

ROBERT S. MINOT

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## PREFACE

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THE purpose of this article is to apply the theory of Monometallism rigidly, but simply, briefly and practically, to the actual condition of our "money," so called. Monometallism properly means the use of a single principal metal as a standard. It does not necessarily bar the use of other metals as limited tender, or for fractional coinage. It does bar the use of paper money other than gold certificates as legal tender, but not as current credits. It is but an application of the general law of fixity of standard to money. The money problem can be solved only upon the basis of Natural Law.

R. S. MINOT.

BOSTON, January 15, 1896.



## OUR MONEY

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THE use of money is to measure values and effect exchanges, *i. e.*, buying and selling. The natural law of measurement is that the standard shall be fixed, whether the measure be a yardstick, a quart pot, a pound-weight, or a dollar; so the ideal measure of value or medium of exchange must be a fixed unit. Such unit must be a fixed quantity of some selected commodity having intrinsic and stable value. The best commodity now known for this purpose is gold, chiefly because its value is so universal, permanent and stable that it has been steadily accumulated for centuries, practically without loss. However large the annual product may be, the addition to these accumulations is relatively small, and more or less in proportion to the growth of business. For subsidiary or fractional coinage, silver, nickel and copper are more convenient than gold, but this article treats of principal or standard money.

The value of commodities is determined by the natural law of supply and demand. Such law being paramount to constitutional and statutory law, the relative value of two commodities cannot be fixed by legislation, which must always prove abortive in such attempts. This is equally true, whether the subject matter be wheat and corn, wool and cotton, or gold and silver. Moreover there is no logical distinction between bimetallism and multimetallism. If two money metals are better than one, three must be

better than two, and so on. Monometallism, *i. e.*, the use of a single metal as a standard, accords with the natural law of the fixity of measure and with the practice of practically all the civilized and prosperous countries of Europe, and of the United States. The more gold is used for coinage, the less there is for other uses, or for ornaments. The most economical coinage is that which requires but one principal metal and the least quantity of it.

The ideal coinage would be of international gold units universally current. Ideally, the sole use of paper money is to represent gold coin unit for unit, for convenience only. Gold circulates thus by proxy as effectively as in itself and performs the functions of circulation while remaining still in one spot. It is somewhat like the heart and the blood. The pump remains in one spot; the circulation is everywhere. Or we may call gold deposited at a central point the power-house, paper the trolley-wire by which the electricity of value circulates freely and universally.

Paper credits must be constantly distinguished from paper money. Paper money should bear precisely the same relation to gold coin that a title-deed does to a lot of land. The deed is not the land, but only evidence of title to land. Paper money should be evidence of title to gold coin and issued dollar for dollar. The first dollar of paper issued in excess is the beginning of that sinister complication called "inflation." It is the same as issuing one hundred and one title-deeds to lots when there are only one hundred lots. That over-issue of one title-deed is the precise point where trouble begins.

Paper credits are written or printed promises to pay. A promise, whether verbal, or in black and white, is an agreement for future title. Even in the case of a demand note, both borrower and lender customarily expect that there will be some interval between the borrowing and

repayment. The promise of anything is not the thing itself. Paper credit is not paper money, because to-morrow is not to-day. At every given moment there is a given quantity of gold in the world, and that quantity can be certified on paper, but cannot be increased by any hocus-pocus of paper credits.

The monetary system should be entirely distinct from any credit system. Why? First: Because credits are superfluous as a measure of value. Second: Because they are vicious for this purpose. The first dollar of credit injected into a monetary system is another beginning of inflation, and is the precise point where trouble begins. Ideally, paper money should be merely a certificate of title to gold coin, and although an invaluable convenience, it adds nothing to the stock of money. But credits or promises of gold have no necessary fixed relation to the stock of gold. If they had, they would be superfluous as money. (There is no object in having a yardstick six feet long.) As they have not, they violate the natural law of measure, viz., fixity, and so vitiate the monetary system. (There is no object in, but much objection to, a yardstick indefinitely long.) If there were any advantage in having an excess of paper dollars, it would be equally effective and much cheaper to print more dollars on each piece of paper. It is safer to bank on gold than on chances.

Our National Bank Notes secured by Government bonds are safe credits, but not money. An unlimited amount of equally safe credits can be devised, based on almost any security, provided only that the margin be suitably increased. A United States bond with a margin of ten per cent. is no safer than selected State bonds with twenty per cent. margin, City bonds with thirty per cent., County with forty per cent., Railroad with fifty per cent., Real Estate mortgages with seventy-five per cent., and so on. Inflation almost *ad infinitum*!

To summarize: Government should coin gold only, and certify it, and make it or its paper representative, and nothing else, unlimited legal tender; except suitable subsidiary coinage, to be limited tender. Government should also have supervision of "Current credits," *i. e.*, paper credits, such as the people choose to use in business, payable to bearer and used as currency, *viz.*, National or State Bank Notes, so that they shall be safe for their purposes in every one's hands, though not legal tender. Beyond this Government, whether National or State, should not establish or interfere with any credit system.

The points sought to be outlined as parts of a scientific monetary system are as follows:

1. Monometallism, or the Single Fixed Standard. Gold the sole principal money.
2. Single paper representation, as convenience requires, unit for unit.
3. Free coinage of gold by Government. Sole unlimited legal tender (itself or by paper representative).
4. Subsidiary Coinage. Limited legal tender.
5. Monetary system distinct from credit system.
6. Supervision by Government of "Current Credits" voluntarily used by the people as money, *e. g.*, National Bank Notes, etc.
7. Non-interference by Government with other credits.

It remains to consider the present condition of our "money," (so-called) from this scientific standpoint of natural law. The statistics of our stock of money November 1, 1895, are given in Bradstreets' of November 9th. For convenience, the figures are repeated here in the nearest round millions, six zeros being omitted, and the order of items purposely changed.

	In Circulation.	In Treasury.	Total Stock.
Gold . . . . .	475	89	564
Gold Certificates . . . . .	50	1	51
Silver . . . . .	58	365	423
Silver Certificates . . . . .	333	9	342
Subsidiary Silver, etc. . . . .	64	13	77
Treasury Notes . . . . .	114	27	141
U. S. Notes (Greenbacks) . . . . .	239	108	347
Currency Certificates . . . . .	57	0	57
National Bank Notes . . . . .	207	7	214
	<hr/>	<hr/>	<hr/>
Total . . . . .	1,599	617	2,216

In order to show clearly the significance of these statistics, sample copies of each of these items are here shown in plain black and white—the gold and silver without their seductive gleam, the paper without the mystery and glamor of its peculiar fibre and coloring.

#### GOLD EAGLE.

United States of America.

In God we trust.

Ten Dollars.

#### GOLD CERTIFICATE.

This certifies that there have been deposited in the Treasury of the United States, Fifty Dollars in gold coin repayable to bearer on demand.

#### SILVER DOLLAR.

United States of America.

In God we trust.

One Dollar.

#### SILVER CERTIFICATE.

This certifies that there have been deposited in the Treasury of the United States Five Silver Dollars, payable to the bearer on demand.

#### SUBSIDIARY COINAGE.

[Not worth copying for present purposes.]

## TREASURY NOTES.

The United States of America will pay to bearer Two Dollars in Coin.

## REVERSE.

This note is a legal tender at its face value in payment of all dues, public and private, except when otherwise expressly stipulated in the contract.

## U. S. NOTES. (LEGAL TENDERS OR GREENBACKS.)

The United States will pay to bearer Fifty Dollars. This note is a legal tender at its face value for all debts public and private except duties on imports and interest on the public debt.

## CURRENCY CERTIFICATES.

## CERTIFICATE OF DEPOSIT.

It is hereby certified that Ten Thousand Dollars have been deposited with the Assistant Treasurer of the United States payable in United States Notes on demand at his office to — Bank or order.

## NATIONAL BANK NOTES.

## NATIONAL CURRENCY.

Secured by United States Bonds deposited with the Treasurer of the United States.

The — National Bank of — will pay the bearer on demand Ten Dollars. (City.) (State.) (Date.)

This note has the fac-simile of the signatures of the Treasurer of the United States and the Register of the Treasury, and of the President and Cashier of the Bank. It is not worth while for present purposes to give the devices and numbers.

## REVERSE.

This note is receivable at par in all parts of the United States in payment of all taxes and excises and all other dues to the United States, except duties on Imports, and also for all Salaries and other debts and demands owing by the United States to individuals, corporations and associations within the United States, except interest on public debt.

There is also a clause relating to counterfeiting, not material here.

Applying the monometallic theory rigidly to the actual condition of our money, what are the necessary conclusions? The total actual gold coin, 564 millions of dollars, amounting to but little over one-quarter of our total nominal stock of money, is nevertheless our sole principal money! Even adding the subsidiary coinage (without examination or discussion here), seventy-seven millions, makes our total stock of true money 641 millions, or not quite three-tenths of our total nominal stock. Not a dollar more is true money! The gold certificates are merely titles to gold dollars.

Of the remaining nominal stock, the actual silver coin, 423 millions, amounts to nearly one-fifth of the total nominal stock. This is false money. The silver certificates are properly mere titles to silver dollars.

The Treasury notes, Acts of 1890, differ from the silver certificates in that they are issued against silver bullion instead of silver dollars. Practically they are warehouse receipts for "pig" silver strangely transmuted into ambiguous promises to pay "in coin." They are at least equally as vicious as the silver certificates, if not more so, being full legal tender unless otherwise expressly stipulated in the contract. The Government has been practically compelled to redeem them in gold at the holder's option.

There is no greater distinction between bimetallism and multimetallism than between bigamy and polygamy. The moral and natural law of conjugal unity is violated by having more than one wife. The natural law of financial unity (*i. e.*, fixity of measure) is violated by using more than one metal as a standard. There are numerous metals more precious than either gold or silver, and quite as fit as, or perhaps fitter than the latter for financial polygamy.

Apart from tradition and sentiment, how does our silver folly appear? Our Government, probably through corruption, has speculated in "pig" silver. It has put less than

a dollar's worth of bullion into each coin and stamped a falsehood on it—"One dollar,"—and compelled the people to accept it. It has attempted a forced composition with its own creditors for a percentage, and to compensate them by empowering them to compound with their creditors on the same percentage basis. Thus modern American Democracy has gone back to the semi-barbarous standards of coin-clipping monarchies long since effete. It has had to repudiate this falsehood, and stand ready to pocket the loss on every silver dollar, by redeeming in gold. Thus the Government is where it started, with a trifling exception, *i. e.*, it has the "pig" silver on hand in bullion or coin, but, as frequently happens in speculation, it is no longer worth what it cost. The way out is as usual the reverse of the way in, *viz.*, to sell the silver for gold, and pocket the loss if any.

Our circulation has been poisoned by silver, and although we have stopped taking poison, because it has made us deadly ill and weak, yet our health cannot be fully restored until our financial system has been thoroughly freed from silver. Our doctors' bills have been tremendously heavy, because we would not take good financial advice and medicine before we became ill, but relied on quacks.

The United States Notes, commonly called "legal tenders" or "greenbacks," were originally issued during the war, practically as a forced loan or in forced payments, and amount to 347 millions. They are virtually irredeemable promises, as they are perpetually reissued according to law. They are mere current credits and not money. They have no definite relation to gold, either as to quantity or quality, except by statute, which has, however, limited their power for evil. The Government has been compelled to redeem these in gold on demand, and has had to borrow gold in order to pay gold. It requires a large bucketful to outlast a perpetual leak in the bottom.

The Currency Certificates, fifty-seven millions, simply represent deposits of these "legal tenders" or "greenbacks" in large amounts, and are chiefly used in the larger cities in settlements between banks. They are a certificate of deposit of a current credit, and not money.

The National Bank Notes amount to 214 millions, and are simply promises of National Banks to pay on demand, and are secured by deposits of other promises, viz., United States bonds or "greenbacks," with the United States Treasurer. They are not strictly legal tender, but are receivable by the United States for all dues except import duties, and payable by the United States for all dues except interest on the public debt. They are current credits, not money.

Our situation is most conveniently summarized in tabular form (with the assumption that our subsidiary coinage is scientific, which may not be the case).

## ANALYTICAL TABLE.

	Millions of Dollars.	Per cent. of Total nominal stock of money.
<i>True Money.</i>		
Gold . . . . .	564	
Subsidiary . . . . .	77	
	<hr/>	
Total . . . . .	641	
<i>False Money.</i>		
Silver . . . . .	423	
<i>Titles to Coin.</i>		
Gold Certificates . . . .	51	
Silver Certificates . . . .	342	
Treasury Notes . . . . .	141	
	<hr/>	
Total . . . . .	534	

	Millions of Dollars.	Per cent. of Total nominal stock of money.
<i>Current Credits.</i>		
U. S. Notes (Greenbacks)	347	
Currency Certificates . .	57	
National Bank Notes . .	214	
	<hr/>	
Total . . .	618	

<i>Summary.</i>		
True Money . . . . .	641	nearly 30 per cent.
False Money . . . . .	423	" 20 "
Titles to Coin . . . . .	534	" 25 "
Current Credits . . . . .	618	" 30 "
	<hr/>	
Total . . .	2,216	

So, less than three-tenths of our total nominal stock is true money. Nearly two-tenths stand for a silver speculation resulting in a heavy loss. Nearly one-fourth is mere titles to coin, and nearly three-tenths is paper credits. We cannot use a dollar of silver or paper outside of the United States. Therefore all our foreign trade not settled for in merchandise or securities must be settled for in gold. So, whenever the cash balance is adverse, gold flows out of necessity. Poor money invariably drives out good money. (Great Britain will always stand ready to take our oyster, if we are perfectly satisfied to keep the shell.) Our people must have thus only silver and paper left, if ever the outflow of gold is complete. But before the outflow is complete, as between our people and our Government, a man must be both a great patriot and a greater fool to prefer his own ruin to the bankruptcy of the Government, if it finally persists in turning a deaf ear to his repeated and urgent friendly warnings.

Now our Government has been practically compelled to redeem all the silver and paper in gold, and the demand

of our own people for gold has been constant. What can it do when gold goes out to settle adverse foreign balances or home demand, but borrow it back? The risk of insolvency (as to gold payments) is thus perpetual. The Government has already been borrowing during the past two years, in order to stave off this impending insolvency. But borrowing is itself the royal road to insolvency. It has lately passed 162 million more mile-posts! And the end is not yet.

Yet how simple is the remedy! The way out is the way in, reversed. Our Government has bought silver on speculation. It might just as well have speculated in aluminum on a falling market. It has lost heavily. It has even thought of making the loss good by coining it! How rich we might all become by coining our losses under a free coinage system! The only honest and strong way out is to sell the silver for gold gradually, without undue sacrifice, considering its resources and credit.

So as to the paper. It was issued — now retire it. This can be done at once, though it would be wiser to do it gradually.

Our Government could easily borrow, now or from time to time, the necessary \$500,000,000 or so, at two and one-half per cent., if it would cancel the greenbacks, silver certificates and treasury notes for ever. The only difference would be \$12,500,000 annual interest — a paltry price to pay to exchange threatened insolvency for first-class credit, poor business for prosperity, low wages for high wages. It has already borrowed 162 millions to carry out insane financial theories, lost it, and must soon borrow more. It would better borrow 500 millions in order to carry out a sound theory, settle old scores forever, and avoid further losses. Tens of millions, or rather hundreds of millions of foreign capital would flow into this country, if it would turn forever from all that is unsound and

dishonest (whether by intention or not) in its present financial situation. It is better to walk on solid ground than to sail high in a bursting balloon. The wholesome example of the public repudiation of inflation would lead us all to think and plan more soundly and conservatively. Conservatism is the mother of progress. A poor dollar makes a poor man. The man armed with the best dollar is armed with the best gun in the battles of industry and commerce. Gold is none too good for us. It may be a luxury to the rich and the strong, but it is a necessity to the poor and the weak. This is as true between nations as between individuals.

It is idle, worse than idle—it is a national crime, to try to escape insolvency by more borrowing, unless we borrow good dollars to cancel and destroy bad ones forever. It is a temporary and inadequate remedy to try to prop up our shaky financial structure by more revenue. There is but one sound and thorough remedy, viz.: to replace every weak and rotten part of the structure with sound material, especially in the foundation. The larger the building, the more need to obey the natural law of gravitation in its construction. The larger our affairs and interests, the more need to obey the natural laws of financial health, which are as inexorable as those of gravitation. It is idle for us to claim to be either honest or intelligent in finance, until we are so imbued with the spirit of obedience to these laws that neither can our intentions be questioned nor our conduct criticised. Our national character is at stake. Unless and until we attach definitely and permanently the right meaning and value to the word “dollar,” we practically confess to the civilized world, that American Democracy is a failure, and Universal Suffrage a humbug.



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